

5/037/0119

From: kyle kimmerle <kimmerlef@yahoo.com>
To: Paul Baker <paulbaker@utah.gov>
CC: tom munson <tommunson@utah.gov>
Date: 3/17/2012 10:18 AM
Subject: Re: Neighbor Mine Bond Review

As far as I know everything is done. I added the extra cash at Wells Fargo months ago.
Kyle

From: Paul Baker <paulbaker@utah.gov>
To: kyle kimmerle <kimmerlef@yahoo.com>
Cc: Tom Munson <TOMMUNSON@utah.gov>
Sent: Friday, March 16, 2012 2:48 PM
Subject: Re: Neighbor Mine Bond Review

Kyle--

Can you give me a status update for increasing the bond for Neighbor? I think I answered all your questions a few months ago when you first sent this message, but please let me know if you need more information.

Paul Baker
Minerals Program Manager
Utah Division of Oil, Gas and Mining
801-538-5261
Fax 801-359-3940
Normal work hours MTWF 7 AM to 6 PM; off Thursdays.
Office hours M-F 8 AM to 5 PM

>>> kyle kimmerle <kimmerlef@yahoo.com> 1/11/2012 10:17 AM >>>

Hello Paul and Tom,

Thank you for taking a second look at this. The revised numbers do seem reasonable, and I'm satisfied that they are based on real data. Probably most of the operators in the State are huge public corporations that are spending other people's money so \$2700 means nothing to them. Due to the multitude of governmental regulators involved in mining it is nearly impossible for a small operator to stay in business. I appreciate your taking the time to look into my concerns and coming up with a mutually acceptable solution.

I would like to get all of my bonding paperwork and annual reports done today if at all possible. I have a request in to Wells Fargo to give me the balance of the account being held for the Neighbor Mine, now that interest has accrued for the last several years. Once I have that information I will need help with the following:

What paperwork / processes does the state require to show that the bond has been escalated? Do I simply deposit enough additional funds into the CD and show you proof of that? Or is there some other forms to fill out?

If a cash bond is posted directly with the State what interest is paid?

Finally, can you tell me where the bond for project E150090 (Green River #9 exploration) is being held? Somehow my records do not have this information.

Thanks,
Kyle

From: Paul Baker <paulbaker@utah.gov>
To: kyle kimmerle <kimmerlefh@yahoo.com>
Cc: Tom Munson <TOMMUNSON@utah.gov>
Sent: Tuesday, January 3, 2012 3:47 PM
Subject: Re: Neighbor Mine Bond Review

Kyle--

Here's a compromise position. The bond was calculated in 2005. At the time we were using an escalation rate of 1.2%, and your bond would have been escalated three years into the future. At that rate, the cost estimate in 2005 dollars would have been \$7700.

Actual cost changes (demolition, grading, etc., not the same as the consumer price index) since then are shown as follows:

2005 3.99%
2006 5.44%
2007 2.12%
2008 -3.40%
2009 2.90%
2010 1.80%

We don't yet have numbers for 2011.

We are using a five-year average to calculate the escalation rate for the future, and it is 1.7%.

Here's the math: $7700 * 1.0399 * 1.0544 * 1.0212 * 0.966 * 1.029 * 1.018 * 1.017^3 = \9200 .

I think this is reasonable and hope you do, also, considering your bond hasn't been changed in six years and that this is escalated to 2014. It's based on real numbers and is \$2700 less than the amount we previously gave you.

An alternative would be to reduce the potential amount of disturbance to an acre. This may be the best choice if you plan to leave the site idle for a while, and we could leave the bond amount alone.

I hope this makes sense, but let me know if you have questions.

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>>> kyle kimmerle <kimmerlefh@yahoo.com> 1/3/2012 12:50 PM >>>

Paul,

When your request came I immediately replied with facts and logic why it is unreasonable to ask for that much more money. Paul if there is less than 2 percent inflation (as the US Government statistics prove), then how do you justify that it is reasonable and fair of the State of Utah to increase bond amounts by forty percent?

Kyle

From: Paul Baker <paulbaker@utah.gov>
To: kimmerlefh@yahoo.com
Sent: Wednesday, December 28, 2011 5:51 PM
Subject: Neighbor Mine Bond Review

Kyle--

About a year ago we sent you a letter asking for additional bond for the Neighbor mine but haven't received anything. The bond amount was based on the amount of disturbance proposed in your NOI.

What's the status of your operations at the mine? Are you doing anything, and do you plan to do something? I've been there a few times, and the only disturbance I remember was some shallow drill holes which may be old ones. You were going to twin some of the holes.

If you want to keep this notice of intention open but don't want to do anything right now, I suggest an amendment to minimize the amount of permitted disturbance (one acre?) so your bond can be considered adequate.

Please let me know your thoughts in this regard. I have no doubt you don't want to give us more money.

Thank you.

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